



COMMONWEALTH OF VIRGINIA JOINT LEADERSHIP COUNCIL OF VETERANS SERVICE ORGANIZATIONS

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*Air Force Association
American Legion
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Association of the United
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Virginia Army/Air National
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Virginia National Guard
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Women Marines Association*

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Position Paper 2020-03

Income Tax Subtraction for Certain Low-Income 100% Disabled Veterans

OBJECTIVE: To allow individual income tax subtraction for the amount of annual retirement compensation received for service as a member of the U.S. Armed Forces, or the Virginia National Guard, for 100% service-connected disabled veterans with a federal adjusted gross income not exceeding 150% of the federal poverty level for a four-person household.

BACKGROUND:

- Virginia currently allows qualifying taxpayers to claim a subtraction for up to \$20,000 of disability income. Disabled veterans who already claim this subtraction would not qualify for the new program or would have to drop this subtraction and claim the new one.
- D.C. and Maryland offer exemptions ranging from \$3,000 to \$5,000.
 - North Carolina offers a full exemption for retirees with five years of service as of August 12, 1989; otherwise, retirees may claim a deduction of up to \$4,000.
 - Kentucky offers exemptions of \$41,110 and West Virginia \$20,000.

DISCUSSION:

- While Combat-Related Special Compensation (CRSC) is not subject to federal or Virginia taxation, Concurrent Retirement and Disability Payments (CRDP) are generally subject to both federal and Virginia taxation.
- Available reports do not provide specific data on the exact number of 100% service-connected disabled veterans in Virginia, however, the VA has given a reasonable estimate of **1,371** disabled Virginia veterans who would qualify for this benefit.
- Department of Taxation considers implementation of this bill as routine, and does not require additional funding.
- No subtraction would be permitted if another Virginia subtraction or deduction for such service has been claimed.

RECOMMENDATION: That the Governor and General Assembly approve an individual income tax subtraction for 100% service-connected disabled veterans with a federal adjusted gross income, not exceeding 150% of the federal poverty level for a four-person household, who have not already claimed another exemption.